



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**INTERIM MD&A**

NINE MONTHS ENDED - QUARTERLY HIGHLIGHTS

SEPTEMBER 30, 2016

November 29, 2016

This Interim Management's Discussion and Analysis – Quarterly Highlights (MD&A) contains management's interpretation of Starrex International Ltd.'s performance for the three and nine-month periods ended September 30, 2016. While the financial statements reflect actual financial results, the Interim MD&A – Quarterly Highlights explains these results from management's perspective and provides the Company's plans and budget for subsequent periods ahead. This Interim MD&A – Quarterly Highlights is dated November 30, 2016.

This Interim MD&A – Quarterly Highlights should be read in conjunction with the Company's condensed interim consolidated financial statements as at and for the periods ended September 30, 2016 and 2015 and related notes. Together, the Interim MD&A – Quarterly Highlights and financial statements provide key information about the Company's performance and ability to meet its objectives.

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## Important information about this MD&A

- The information in this MD&A is prepared as of November 30, 2016.
- The terms “we”, “us,” “our,” and “Company” refer to Starrex International Ltd.
- This MD&A contains forward-looking information and statements regarding strategies, objectives, expected operations and financial results, which are based on the Company's current views of future events and financial performance. Key risks and uncertainties are discussed in the Risks and risk management section of this MD&A. However some risks and uncertainties are beyond the control of the Company and are difficult to predict. Actual future outcomes may substantially differ from the expectations stated or implied in this MD&A.
- The words “believe,” “plan,” “intend,” “estimate,” “expect,” “anticipate,” and similar expressions, as well as future conditional verbs, such as “will,” “should,” “would,” and “could” often identify forward-looking statements.
- The words “plan” and “budget” are synonymous in the MD&A and are used interchangeably. Both describe the planned budget revenue and expenses for the related fiscal year.
- Unless otherwise specified, references to a year refer to the Company's fiscal year ended December 31, 2015.
- All financial information related to 2016 and 2015 has been prepared in accordance with International Financial Reporting Standards (IFRS). For more information, see the notes to the financial statements, in particular, **Note 3 Significant Accounting Policies**.
- Amounts shown in this MD&A are expressed in United States Dollars, unless otherwise specified.
- Due to rounding, some variances may not reconcile and analysis of components may not sum to the analysis for the grouped components.

## About Starrex International Ltd.

A summary of our business, core values and goals

Starrex International Ltd. ("Starrex") is an emerging financial services company, sitting inactive for many years until the end of November 2013. The Company completed its initial business acquisition in the third quarter of 2014.

Our primary business operations are conducted through our wholly-owned subsidiary, Property Interlink, LLC, a United States Colorado limited liability company ("Property Interlink"). Property Interlink is a licensed appraisal management company ("AMC") providing objective and comprehensive evaluations of residential real estate. An appraisal management company is defined as an independent entity through which mortgage lenders order residential real estate valuation services for properties on which they are considering extending loans to homebuyers.

As of September 30, 2016, Property Interlink, LLC is active in thirty-eight states. Property Interlink provides residential appraisals to third parties in the United States. In exchange for these contractual services, the Company charges a specific rate, with additional premiums charged for extenuating circumstances with respect to geographic location of the property and size of the property under review. Property Interlink also performs review services for final appraisals.

Property Interlink contributes to correlating industry-specific affiliations by actively participating in the Appraisal Institute and other U.S. appraisal organizations.

From time to time, the mortgage industry will pass new regulations or amend existing regulations that impact the appraisal industry with respect to pricing. When this occurs, the Company's compliance personnel provides guidance relative to company-wide rate changes that may be needed to ensure financial viability and shareholder value. These changes are discussed and approved by Senior Management, then implemented accordingly.

Company management continues to regularly review and evaluate unsolicited merger and/or acquisition ("M&A") transactions – in diverse financial, resource and industrial business sectors.

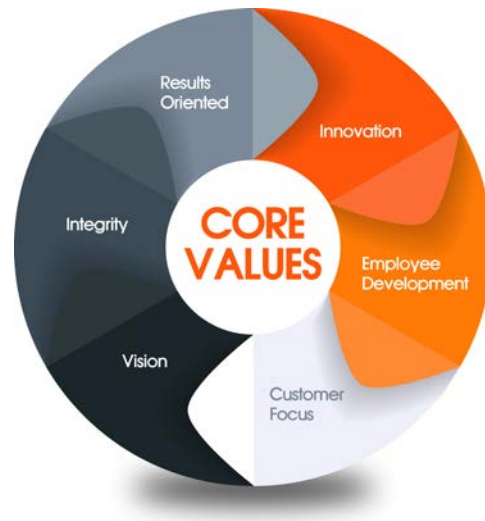
Starrex is traded on the Canadian Securities Exchange under symbol STX and on the OTC QB in the United States under symbol STXMF.

Copies of all relevant financial documents, including the annual and interim Company filings to date, may be referenced on the regulatory filings website [www.sedar.com](http://www.sedar.com).

## Core Values

Starrex is committed to its shareholders by consistently focusing on continued growth in volume, as well as positive net income per share. This is achieved by well managed operations and executing strategic operations.

Our primary focus in Property Interlink is results oriented customer service, with employee development a cornerstone to the success of the subsidiary.



## Vision & Goals

- To acquire and invest in well managed, profitable businesses in a manner that creates value for all parties.
- To deliver the best level of service available in the appraisal management and real estate business sector.
- To provide business and financial transparency to our shareholders and investors.

For more information about Starrex, please see our website at [www.starrexintl.com](http://www.starrexintl.com).

## Operating Results

A summary of our financial results and discussion of revenue and expenses

Property Interlink has developed an internal staffing model which creates additional net profit for each appraisal that is completed. This model affords the Company more control over internal associates versus that over an independent contractor, which reduces turnaround time and improved process efficiency for appraisal management. This model was implemented during the first quarter of 2015, with steady increases in the revenue earned per appraisal revenue month over month.

The operations and revenue of Property Interlink are directly affected by United States housing market condition and trends.

Selected two-year quarterly information	Q3	Q2*	Q1	Q4*	Q3*	Q2	Q1*	Q4*	Q3	Q2
	2016	2016	2016	2015	2015	2015	2015	2014	2014	2014
Revenue	1,839,948	1,698,277	1,335,990	1,309,188	1,504,880	1,589,062	1,494,474	1,377,054	622,989	2,434
Loss from continuing operations	(164,853)	(229,199)	(248,165)	(203,963)	(317,868)	(55,253)	(272,036)	(1,241,727)	(243,788)	(137,890)
Loss and comprehensive loss	(164,853)	(229,199)	(248,165)	(172,416)	(243,857)	(286,092)	(272,036)	(1,241,727)	(175,233)	(165,429)
EBITDA	(98,788)	(134,212)	(195,310)	(94,599)	(181,670)	(191,944)	(123,892)	(1,462,900)	(170,812)	(165,429)
Total assets	4,047,008	4,050,910	4,230,945	4,271,665	4,460,543	5,245,125	5,491,961	5,672,606	2,331,523	1,262,710
Total liabilities	1,278,364	1,117,743	1,070,999	863,555	730,715	1,516,057	1,547,838	1,456,447	521,955	62,562
Shareholders' Equity	2,768,644	2,933,167	3,159,945	3,408,110	3,729,828	3,729,068	3,944,123	4,216,159	3,990,168	1,201,148
Net loss per share for continuing operations	(0.01)	(0.02)	(0.00)	(0.02)	(0.02)	-	(0.02)	(0.10)	(0.03)	(0.02)
Basic and diluted loss per share	(0.01)	(0.02)	(0.02)	(0.02)	(0.01)	(0.02)	(0.02)	(0.10)	(0.02)	(0.02)

\*Amended and Restated

Revenue was higher by \$335,068 in the third quarter of 2016 compared to the same period in 2015. This is attributable to the expansion of Property Interlink's footprint nationwide. The acquisition of additional Appraisal Management Company licenses afford Property Interlink the ability to secure additional business not accessible prior to the third quarter. During the three-month period, Property Interlink completed 3,873 appraisals compared to 3,387 during the three-month period ended September 30, 2015.

Overall expenses for the third quarter of 2016 increased by 10% over the same quarter in 2015. The operational increase in expense is largely attributable to the additional payroll and commission expense associated with the increased volume and was expected.

**Related Party Transactions** The Company had the following transactions with officers and directors of the Company and private companies controlled by officers and directors of the Company for management consulting and other services required by the Company: The Company incurred \$250,987 in management fees during the nine months ended September 30, 2016 (September 30, 2015 - \$188,838) to the COO, CFO and SVP for services provided to the Company. All amounts have been paid accordingly. Amcap Mortgage Ltd., a customer related by common management, the then Chief Executive Officer, accounted for \$3,180,446 (September 30, 2015 - \$3,581,942) in revenue to the Company. As at September 30, 2015 \$29,715 (December 31, 2015 - \$82,173) is included in accounts receivable on the condensed consolidated interim statement of financial position.

	% of Q3 2016 Expenses	Q3 2016	Q3 2015	Change	% Change
Salaries and benefits	76.54%	1,534,544	1,288,339	246,205	19.11%
Administrative	11.85%	237,560	277,022	(39,462)	-14.25%
Occupancy	2.25%	45,144	27,214	17,930	65.88%
Professional services	6.71%	134,599	81,844	52,755	64.46%
Depreciation and amortization	2.64%	52,956	53,013	(57)	-0.11%
Share based payments	0.00%	-	95,316	(95,316)	-100.00%
Total expenses	100.00%	\$ 2,004,802	\$ 1,822,748	\$ 182,054	9.99%

### About our fees

**Appraisal fees** are charged to customers for each appraisal completed. These fees are dependent upon the state in which the property is located, as well as whether the property is rural or non-rural.

**Final review** fees are charged to customers when repairs or new construction is involved. Similar to appraisal fees, these are dependent upon the state in which the property is located.

### Revenue and Key Performance Metrics

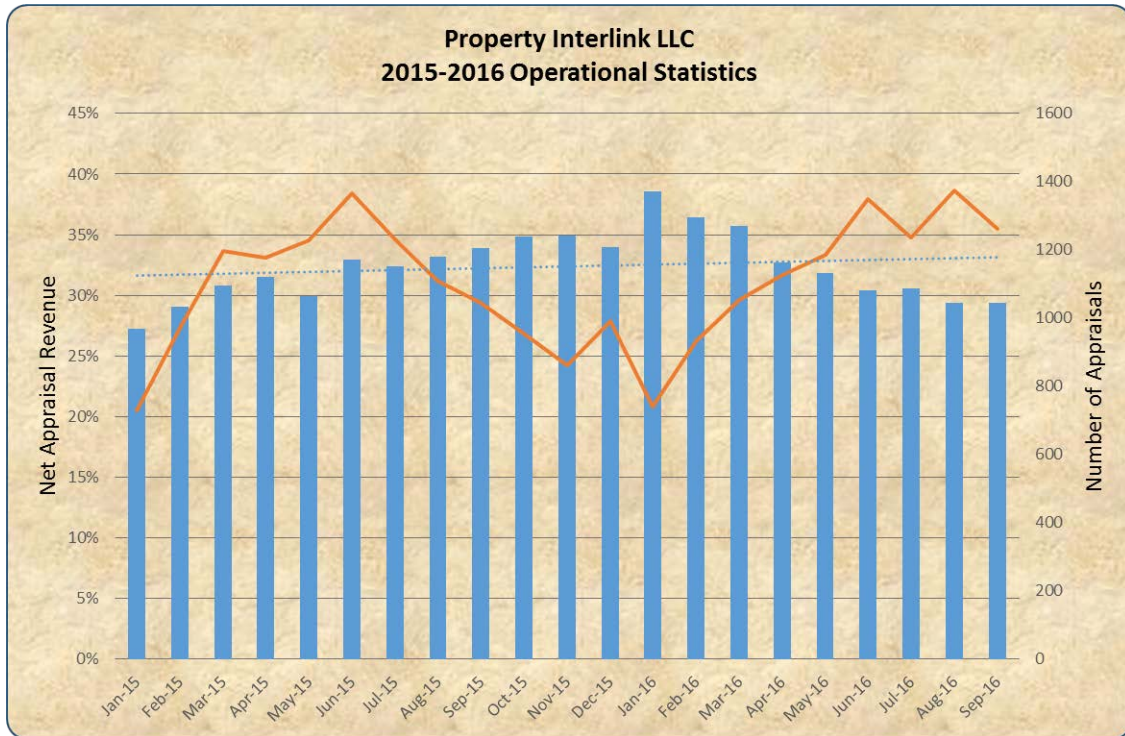
Revenue in Starrex, the parent company, is comprised of interest income only. During the third quarter of 2016, interest income was \$24,323 compared to \$417 during the same period in 2015. The increase is directly associated with the two interest-bearing promissory notes received as consideration for the sale of One Force Staffing, Inc. and Olympia Capital Management, Inc.

One of the Key Performance Indicators ("KPI") in Property Interlink is the calculation of revenue derived from each appraisal

completed and their associated completion times. When monitoring this metric, the wages and independent contractor expenses are subtracted from the total revenue. As the dynamic business model shifts from assigning appraisals to independent contractors versus employees of the Company, this metric will increase, and subsequently, overall net income to the Company.

Revenue for Property Interlink for the period ended September 30, 2016, was \$335,068 higher than the same period in 2015.

The following depicts changes in net appraisal revenue, as well as monthly appraisal volume for Property Interlink



Since the acquisition of Property Interlink in July of 2014, average volume has increased from 730 to 1,101 appraisals per month (yearly average), reaching a peak of 1,374 in August of 2016. Seasonal cycles in the housing market historically trend lower from October through January and higher during the second and third quarters.

The graph above depicts total number of appraisals performed month over month, as well as the difference between revenue received for appraisals and expenses directly associated with the completion of the appraisals.

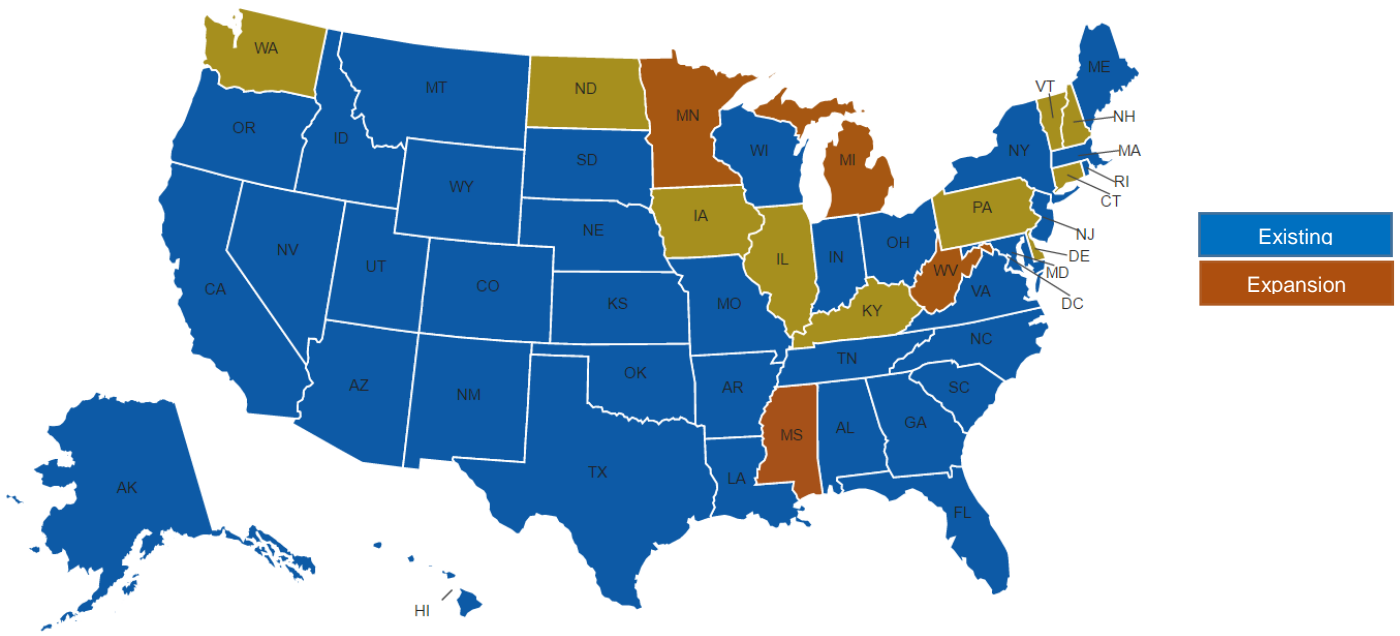
## Geographic Concentration

### A summary of appraisal licenses and future planning

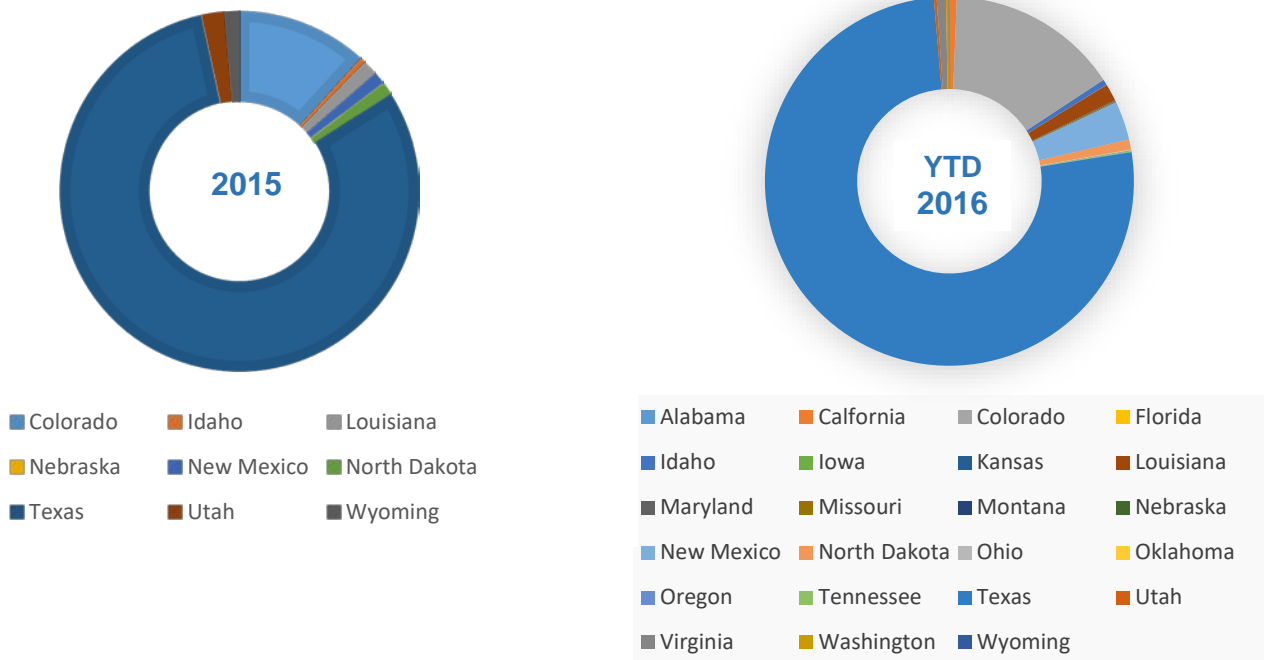
Property Interlink is currently licensed in thirty eight states, with plans to expand into several more by the end of 2016. This will expand the services footprint of the Company, which will significantly increase shareholder value as well as earnings per share in the future. This expansion aligns Property Interlink with existing banking relationships as those banks further their own growth. This strategic alignment also broadens the market in which subsequent acquisitions may be identified, which is the parent company's primary goal and objective.

#### Starrex currently operates in:

Alabama	Maine	Oklahoma
Alaska	Maryland	Oregon
Arizona	Massachusetts	Puerto Rico
Arkansas	Missouri	Rhode Island
California	Montana	South Carolina
Colorado	Nebraska	South Dakota
Dist. Of Columbia		Tennessee
Florida	Nevada	Texas
Georgia	New Jersey	Utah
Hawaii	New Mexico	Virginia
Indiana	New York	Washington
Kansas	North Carolina	Wisconsin
Louisiana	Ohio	Wyoming



The following illustrates revenue by state concentration



Appraisals in Texas comprised 80% of the total volume in 2015 with a composition of 76% in the first three quarters of 2016. Property Interlink currently works most closely with a large mortgage originations company domiciled in Houston, Texas, which generated \$3,667,468 in revenue in the first three quarters of 2016. Colorado follows with \$725,599 in revenue for the same period. Property Interlink continues to increase business in New Mexico.

Year to date, Property Interlink derived \$163,285 in revenue in New Mexico versus \$63,890 for the entire period ended December 31, 2015.

Colorado and Louisiana also have nearly doubled in revenue during the same comparative period. Property Interlink received licensing in the State of Virginia effective May 31, 2016. Since that time, we have realized \$38,815 in revenue and anticipate this to grow significantly based on a growth rate of 50% per month.

Management considered 2016 a development year for Property Interlink as the entity deploys working capital to expand the business base, which will ultimately result in a nationwide appraisal management company in the United States. Consequently, Management did not issue budget variance reports for the period.

### Expenses

During the third quarter of 2016, our expenses were \$2.04M, which is \$182,053 higher than anticipated during normal course of business due to professional fees associated with the restatement and review of our interim and annual financial statements, along with communications with the Ontario Securities Commission regarding same. When comparing the same period in 2015, expenses were higher by \$491,818 (2015 - \$1,644,668).

Property Interlink consistently and diligently recruits new staff appraisers to facilitate the staff appraisal model instead of hiring independent contractors to perform these services, where realized revenue to the Company is significantly decreased.

## Liquidity and financial position

A discussion of our liquidity, cash flows, financing activities and changes in our financial position

### Liquidity

#### Cash

At September 30, 2016, Starrex held \$174,582 in cash, compared to \$176,457 as at December 31, 2015.

At September 30, 2016, the Company had current assets of \$2,489,907 (\$633,229 - 2015) and current liabilities of \$994,880 (\$529,880 - 2015). Total assets remain reasonably stable (\$4,047,008 as at September 30, 2016 compared to \$4,271,665 in the same period for 2014); however, liabilities have increased by \$414,809 over the same period in 2014. This is primarily due to an increase in accrued liabilities associated with bond and licensing expenses and was expected as Property Interlink continues to expand the business into new states. The large variance between current assets during the third quarter of 2015 and 2016 is attributable to the notes receivable of \$1,930,000. The entire balance is now current as of September 30, 2016. In 2015, only a portion of the balance was due and was governed by an agreement that has since been amended.

#### Cash flows

During the period, cash flows from operating activities produced an inflow of \$59,328, which is entirely attributable to the appraisal management subsidiary, Property Interlink. During the same period in 2015, the Company used \$743,255 in operating activities.

Included in the prepaid expenses are licensing expenses utilized for the expansion of Property Interlink. During the period, we deployed \$20,495 which represents prepaid licensing and bond expenses that will be recovered as the Company begins to operate in these new states.

### Financial position

The following is a discussion of the significant changes in our Statement of financial position.

#### Trade and other receivables

Trade and other receivables were \$2,238,497 at September 30, 2016 (\$2,338,932 - 2015). During ordinary course of business, balances in current accounts receivable remain steady with the necessary controls in place to ensure collectability.

Of the total outstanding receivables, \$1,930,000 are short-term promissory notes associated with the sale of Olympia Capital Management, Inc. and One Force Staffing, Inc. Current accounts receivable as at September 30, 2016 were \$308,497 compared to \$408,932 in 2015. As Property Interlink continues to grow in volume and revenue, we expect to realize an increase in outstanding current accounts receivable balances.

For additional information on Notes Receivable, see **Note 9** of the Condensed Interim Consolidated Financial Statements.

#### Property, plant and equipment & Intangible assets

The Company did not purchase additional fixed assets during the period.



## 2016 Budget Approach

The Company is focused on increasing shareholder value, as well as fiscal responsibility while investing in the acquisition of real estate-based entities that complement Property Interlink.

The Company considers Property Interlink still in development while the subsidiary spends working capital to expand its regulatory operating footprint within the United States. The additional spend associated with this expansion is expected to be completed by the end of 2016.

Given the anticipated actuarial and legal expenses for the parent, the Company, on a consolidated basis, does not expect to post positive net income on a consolidated basis until the fourth quarter of 2016 or early 2017.

## Critical accounting estimates

Judgments, estimates and assumptions related to preparing IFRS financial statements.

The preparation of financial statements consistent with IFRS requires that management make judgments, estimates and assumptions that affect reported amounts of assets and liabilities for the date of the financial statements, as well as the reported amounts of the revenues and expenses for the periods. Although the estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Areas where estimates are significant to these consolidated financial statements are as follows:

- Goodwill is tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of intangible assets with definite lives (software, trade name and customer relationships) and equipment is reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in profit or loss. The assessment of fair value requires the use of estimates and assumptions related to future operating performance and discount rates, differences in estimates and assumptions could have a significant impact on the financial statements. (See **Note 7** of the financial statements).
- Significant judgment is involved in the determination of useful life for the computation of depreciation of equipment and amortization of intangible assets. No assurance can be given that actual useful lives will not differ significantly from current assumptions.
- Significant judgment is involved in the assessment of the recoverable amount of the notes receivable (See **Note 9** of the financial statements).
- Applying the acquisition method to business combinations requires each identifiable asset and liability to be measured at its acquisition date fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The determination of acquisition date fair values often requires management to make assumptions and estimates about future events. The assumptions with respect to fair value of intangible assets requires a high degree of judgment and include estimates for future operating performance, discount rates, technology migration factors and terminal value rates.

## Risks and risk management

Risks and uncertainties facing us, and how we manage these risks

### Business Risk

Starrex has established policies and procedures to identify, manage and control operational and business risks that may impact our financial position and our ability to continue ordinary operations. Management is responsible for ongoing control and mitigation of operational risk by ensuring the appropriate policies, procedures and internal controls, as well as compliance measures are undertaken.

### Financial Risk

The Company maintains strong internal controls, including management oversight at both the parent and subsidiary levels, to provide reasonable assurance of financial reporting reliability and preparation of financial statements for external purposes consistent with IFRS.

## Internal Control over financial reporting

A summary of our internal control review results

During the year, the Company's internal control processes are reviewed and updated as necessary. During the period ended September 30, 2016, no significant deficiencies in internal control were identified.

Due to the fact that the Company was required to restate its 2014 Audited Financial Statements as a result of differences in the determination of fair value measurement associated with the acquisition of subsidiaries during July of 2014, additional controls associated with valuation and subsequent impairment have been put in place to mitigate any future errors. This may include the engagement of a third party subject matter expert to assist in the determination of future purchase price allocations, and fair value measurements.

## Share Capital

The Company is authorized to issue an unlimited number of common shares.

Issued	Number of common shares	Amount
Balance, December 31, 2014 and September 30, 2015	14,430,827	\$ 6,678,321
Acquisition (i)	50,000	67,330
<b>Balance December 31, 2015 and September 30, 2016</b>	<b>14,480,827</b>	<b>\$ 6,745,651</b>

	Number of options	Weighted average exercise price
Outstanding, December 31, 2014	750,000	\$ 0.23
Cancelled	(100,000)	0.18
Granted	100,000	1.23
<b>Oustanding, December 31, 2015 and September 30, 2016</b>	<b>750,000</b>	<b>\$ 0.33</b>

The Company has a stock option plan (the "Plan") that enables its directors, officers, employees, consultants, and advisors to acquire common shares of the Company from treasury at any time within a fixed period of time from the date on which the options are granted (usually 5 years) at an exercise price set at the time the options are granted. Under the terms of the Plan, the directors can grant options totaling up to 10% of the number of common shares outstanding. The following table shows the number of options currently outstanding and their respective exercise prices and expiry dates.

	Common Shares Under option	Number of Options Vested	Exercise Price	Expiry Date
Granted May 21, 2013	50,000 <sup>(1)</sup>	50,000	\$ 0.15 <sup>(4)</sup>	May 21, 2018
Granted April 17, 2014	550,000 <sup>(2)</sup>	550,000	0.19 <sup>(5)</sup>	April 16, 2019
Granted May 29, 2014	50,000 <sup>(3)</sup>	50,000	0.43 <sup>(6)</sup>	May 29, 2019
Granted August 25, 2015	100,000 <sup>(7)</sup>	100,000	1.30 <sup>(8)</sup>	September 1, 2020

<sup>(1)</sup> A Director of the Company holds these options. One half of the options vested May 21, 2014. The remaining options vested on May 21, 2015.

<sup>(2)</sup> Directors of the Company hold these options. They are fully vested.

<sup>(3)</sup> A Consultant of the Company holds these options. They are fully vested.

<sup>(4)</sup> The exercise price is CAD \$0.20.

<sup>(5)</sup> The exercise price is CAD \$0.25.

<sup>(6)</sup> The exercise price is CAD \$0.57.

<sup>(7)</sup> An Executive Officer of the Company holds these options. They are fully vested.

<sup>(8)</sup> The exercise price is CAD \$1.70.

## Subsequent Events

At the Board of Directors Meeting October 31, 2016, Starrex unanimously appointed Matthew Hill as the Company's new President, Chief Executive Officer and Chairman of the Board. He has also been appointed as a member of the Audit Committee. Mr. Hill, who previously served as the Company's Senior Vice President, replaces Philip Garrett Clayton who resigned those offices in order to devote more of his time to his other business interests. Mr. Clayton will continue to be involved in the affairs of the Company as one of its directors.